Grade 11 Accounting Ratios Quiz

Accounting · Practice Test · 26 Questions

1. What category of ratios tests if a business can pay its short-term debts?

A) Profitability Ratios
B) Liquidity Ratios
C) Solvency Ratios
D) Efficiency Ratios

2. What is the formula for the Current Ratio?

A) (Gross Profit / Sales) * 100%
B) Total Liabilities / Owner's Equity
C) Current Assets / Current Liabilities
D) (Current Assets - Inventory) / Current Liabilities

3. A Current Ratio of below 1:1 is generally considered:

A) Ideal
B) Profitable
C) Risky
D) Efficient

4. Which ratio is a stricter test of a business's ability to pay debts without selling inventory?

A) Current Ratio
B) Gross Profit Margin
C) Quick Ratio
D) Debt Ratio

5. What is the good benchmark for the Quick Ratio?

A) 2:1
B) 1:1
C) 0.5:1
D) 3:1

6. Profitability Ratios are used to determine:

A) Short-term safety
B) Long-term survival
C) If the business is making good profit
D) How well assets are used

7. The Gross Profit Margin formula is:

A) (Net Profit / Sales) * 100%
B) (Gross Profit / Sales) * 100%
C) (Net Profit / Owner's Equity) * 100%
D) Total Liabilities / Total Assets

8. What does the Net Profit Margin show?

A) % of sales left after paying for goods sold
B) % of sales that becomes actual profit after all expenses
C) How well the owner's investment is generating profit
D) How efficiently assets are used to make profit

9. Return on Equity (ROE) measures:

A) How efficiently assets are used
B) How much debt is used
C) How well the owner's investment is generating profit
D) The percentage of assets financed by debt

10. What does Return on Assets (ROA) indicate?

A) The business's ability to pay short-term debts
B) The business's long-term survival
C) How efficiently assets are used to make profit
D) The amount of profit left after all expenses

11. Solvency Ratios are used to assess:

A) Short-term liquidity
B) Profit generation
C) Long-term survival
D) Asset utilization

12. The Debt to Equity Ratio shows:

A) % of assets financed by debt
B) How many times inventory is sold
C) How much of the business is financed by debt vs owner's money
D) Average days it takes to collect money from customers

13. A high Debt to Equity Ratio is generally considered:

A) Safe
B) Efficient
C) Risky
D) Profitable

14. The Debt Ratio calculates the:

A) Percentage of sales left after paying for goods sold
B) Percentage of assets financed by debt
C) Return on owner's investment
D) Ability to pay short-term debts

15. Efficiency Ratios, also known as Activity Ratios, focus on:

A) Profit margins
B) Debt levels
C) How well assets are used
D) Short-term debt repayment

16. The Inventory Turnover Ratio shows:

A) Average days inventory sits in stock
B) How many times inventory is sold and replaced in a year
C) Average days it takes to pay suppliers
D) Average days it takes to collect money from customers

17. What does the Inventory Turnover Period measure?

A) How many times inventory is sold
B) Average days inventory sits in stock before selling
C) The cost of goods sold
D) The amount of average inventory

18. The formula for Debtors Collection Period involves:

A) Average Accounts Payable and Credit Purchases
B) Cost of Goods Sold and Average Inventory
C) Average Accounts Receivable and Credit Sales
D) Total Liabilities and Owner's Equity

19. What does the Creditors Payment Period indicate?

A) How quickly customers pay
B) How quickly inventory is sold
C) Average days it takes to pay suppliers
D) The total assets of the business

20. Which of the following is a quick tip for understanding Liquidity?

A) Making money
B) Long-term survival
C) Short-term safety
D) Not wasting resources

21. The quick tip for Profitability is:

A) Short-term safety
B) Making money
C) Long-term survival
D) Not wasting resources

22. What is the quick tip for Solvency?

A) Making money
B) Short-term safety
C) Not wasting resources
D) Long-term survival

23. The quick tip for Efficiency is:

A) Long-term survival
B) Making money
C) Not wasting resources
D) Short-term safety

24. Which ratio is used to measure how well the owner's investment is generating profit?

A) Debt Ratio
B) Net Profit Margin
C) Return on Equity (ROE)
D) Current Ratio

25. If a business has a Current Ratio of 0.8:1, it means:

A) It has more than enough short-term assets to cover short-term debts.
B) It might struggle to pay its short-term debts.
C) Its inventory is selling very quickly.
D) It is highly profitable.

26. What does a Net Profit Margin of 15% indicate?

A) 15% of sales are used to pay for goods sold.
B) 15% of sales become profit after all expenses.
C) 15% of the owner's investment is profit.
D) 15% of assets are used efficiently.